

S
352.746
L72OCC
2007
1

CONSUMER COUNSEL
FINANCIAL - COMPLIANCE AUDIT FOR THE
TWO FISCAL YEARS ENDED JUNE 30, 2007



Prepared Under Contract With:
MONTANA LEGISLATIVE BRANCH, AUDIT DIVISION
PO Box 201705, Helena MT 59620-1705

STATE PUBLICATIONS COLLECTION

DEC 03 2007

MONTANA STATE LIBRARY
1113 N. PARK
HELENA, MONTANA 59601



3 0864 1005 0737 8



CONSUMER COUNSEL
FINANCIAL - COMPLIANCE AUDIT FOR THE
TWO FISCAL YEARS ENDED JUNE 30, 2007

JUNKERMIER, CLARK, CAMPANELLA, STEVENS, P.C.
Certified Public Accountants and Business Advisors

LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
Tori Hunthausen,
Chief Deputy Legislative Auditor



Deputy Legislative Auditors:
James Gillett
Angie Grove

October 2007

The Legislative Audit Committee
of the Montana State Legislature:

Enclosed is the report on the financial audit of the Montana Consumer Counsel for the two fiscal years ended June 30, 2007.

The audit was conducted by Junkermier, Clark, Campanella, Stevens, PC under a contract between the firm and our office. The comments contained in this report represent the views of the firm and not necessarily the Legislative Auditor.

The Counsel's written response to the report is included in the back of the audit report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Scott A. Seacat", followed by a long horizontal flourish line.

Scott A. Seacat
Legislative Auditor

07C-06

CONSUMER COUNSEL CONTENTS

	<u>Page</u>
Elected and appointed officials	3
AUDITED FINANCIAL SCHEDULES	
Independent auditors' report	4
Schedule of changes in fund balances for the fiscal year ended June 30, 2006	5
Schedule of total revenues and transfers-in for the fiscal year ended June 30, 2006	6
Schedule of total expenditures and transfers-out for the fiscal year ended June 30, 2006	7
Schedule of changes in fund balances for the fiscal year ended June 30, 2007	8
Schedule of total revenues and transfers-in for the fiscal year ended June 30, 2007	9
Schedule of total expenditures and transfers-out for the fiscal year ended June 30, 2007	10
Notes to financial statements	11-12
INDEPENDENT AUDITORS' REPORTS FOR GAO	
Independent auditors' report on: Internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards	13-14
Agency response	15

**ELECTED AND APPOINTED OFFICIALS
LEGISLATIVE CONSUMER COMMITTEE**

2006-2007

SENATORS

Joe Tropila (Appointed 3/07)

Terry Murphy (Appointed 3/07)

REPRESENTATIVES

Walt McNutt (Appointed 3/05, Re-appointed 3/07)

George Groesbeck (Appointed 3/05, Re-appointed 3/07)

Consumer Counsel

Robert A. Nelson



Junkermier • Clark
Campanella • Stevens • P.C.

Montana Club Building
P.O. Box 1164
Helena, Montana 59624
ph. (406) 442-6901
fx. (406) 442-9690
www.jcccpa.com

Certified Public Accountants and Business Advisors

INDEPENDENT AUDITORS' REPORT

The Legislative Audit Committee
Of the Montana State Legislature:

We have audited the accompanying financial schedules of the Office of the Consumer Counsel for the fiscal years ended June 30, 2006 and 2007, as listed in the table of contents. These financial schedules are the responsibility of the Office's management. Our responsibility is to express an opinion on these financial schedules based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the financial schedules, the Office of Consumer Counsel's financial schedules are prepared in accordance with state accounting policy, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances of the Office of the Consumer Counsel for the fiscal years ended June 30, 2006 and 2007, in conformity with the basis of accounting described in Note 1.

This report is intended solely for the information and use of the audit committee, management and the Legislature and is not intended to be and should not be used by anyone other than these specified parties.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 23, 2007 on our consideration of the Office of the Consumer Counsel's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Junkermier, Clark, Campanella, Stevens, P.C.

Helena, Montana
October 23, 2007

CONSUMER COUNSEL
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

FOR ALL FUNDS

	State Special Revenue Fund
FUND BALANCE: July 1, 2005	\$ <u>781,456</u>
ADDITIONS	
Nonbudgeted Revenues & Transfers-In	28
Direct Entries to Fund Balance	<u>1,248,144</u>
Total Additions	<u>1,248,172</u>
REDUCTIONS	
Budgeted Expenditures & Transfers-Out	1,114,500
Nonbudgeted Expenditures & Transfers-Out	<u>(125)</u>
Total Reductions	<u>1,114,375</u>
FUND BALANCE: June 30, 2006	\$ <u><u>915,253</u></u>

See notes to the financial statements

CONSUMER COUNSEL
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

FOR ALL FUNDS

	<u>State Special Revenue Fund</u>
TOTAL REVENUES & TRANSFERS-IN BY CLASS	
Taxes	\$ 28
Total Revenues & Transfers-In	28
Less: Nonbudgeted Revenues & Transfers-In	28
Prior Year Revenues & Transfers-In Adjustments	
Actual Budgeted Revenues & Transfers-In	0
Estimated Revenues & Transfers-In	
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ 0
 BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS	
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ 0

See notes to the financial statements

CONSUMER COUNSEL
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

FOR ALL FUNDS

ADMINISTRATION PROGRAM

PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT

Personal Services	
Salaries	\$ 308,570
Employee Benefits	69,130
Total	<u>377,700</u>
Operating Expenses	
Other Services	667,574
Supplies & Materials	10,284
Communications	6,016
Travel	11,185
Rent	16,146
Repair & Maintenance	772
Other Expenses	24,699
Total	<u>736,676</u>
Total Expenditures & Transfers-Out	<u>\$ 1,114,376</u>

EXPENDITURES & TRANSFERS-OUT BY FUND

State Special Revenue Fund	\$ 1,114,376
Total Expenditures & Transfers-Out	1,114,376
Less: Nonbudgeted Expenditures & Transfers-Out	(125)
Prior Year Expenditures & Transfers-Out Adjustments	
Actual Budgeted Expenditures & Transfers-Out	<u>1,114,501</u>
Budget Authority	<u>1,520,617</u>
Unspent Budget Authority	<u>\$ 406,116</u>

UNSPENT BUDGET AUTHORITY BY FUND

State Special Revenue Fund	\$ 406,116
Unspent Budget Authority	<u>\$ 406,116</u>

See notes to the financial statements

CONSUMER COUNSEL
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

FOR ALL FUNDS

	State Special Revenue Fund
FUND BALANCE: July 1, 2006	\$ 915,253
ADDITIONS	
Nonbudgeted Revenues & Transfers-In	28
Direct Entries to Fund Balance	836,579
Total Additions	836,607
REDUCTIONS	
Budgeted Expenditures & Transfers-Out	1,180,219
Nonbudgeted Expenditures & Transfers-Out	(130)
Prior Year Expenditures & Transfers-Out Adjustments	(4,672)
Total Reductions	1,175,417
FUND BALANCE: June 30, 2007	\$ 576,443

See notes to the financial statements

CONSUMER COUNSEL
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

FOR ALL FUNDS

	<u>State Special Revenue Fund</u>
TOTAL REVENUES & TRANSFERS-IN BY CLASS	
Taxes	\$ 28
Total Revenues & Transfers-In	28
Less: Nonbudgeted Revenues & Transfers-In	28
Prior Year Revenues & Transfers-In Adjustments	
Actual Budgeted Revenues & Transfers-In	0
Estimated Revenues & Transfers-In	
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ 0
 BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS	
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ 0

See notes to the financial statements

CONSUMER COUNSEL
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

FOR ALL FUNDS

PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT		<u>ADMINISTRATION PROGRAM</u>
Personal Services		
Salaries	\$	330,447
Employee Benefits		69,914
Total		<u>400,361</u>
Operating Expenses		
Other Services		705,663
Supplies & Materials		4,796
Communications		6,511
Travel		14,888
Rent		20,359
Repair & Maintenance		688
Other Expenses		22,051
Total		<u>774,956</u>
Transfers		
Accounting Entity Transfers		99
Total		<u>99</u>
Total Expenditures & Transfers-Out	\$	<u>1,175,416</u>
EXPENDITURES & TRANSFERS-OUT BY FUND		
State Special Revenue Fund	\$	1,175,417
Total Expenditures & Transfers-Out		1,175,417
Less: Nonbudgeted Expenditures & Transfers-Out		(130)
Prior Year Expenditures & Transfers-Out Adjustments		(4,672)
Actual Budgeted Expenditures & Transfers-Out		1,180,219
Budget Authority		1,629,557
Unspent Budget Authority	\$	<u>449,338</u>
UNSPENT BUDGET AUTHORITY BY FUND		
State Special Revenue Fund	\$	449,338
Unspent Budget Authority	\$	<u>449,338</u>

See notes to the financial statements

OFFICE OF THE CONSUMER COUNSEL
NOTES TO FINANCIAL STATEMENTS
June 30, 2006 and 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Office of the Consumer Counsel uses the modified accrual basis of accounting which is described in the Montana Operations Manual, such basis differs from generally accepted accounting principles in the following material respects:

Under the modified accrual basis of accounting, a valid obligation exists when the related liability is incurred. The following items are also considered valid obligations under state accounting policy:

If the appropriation provided funds to complete a given project, the entire amount of a service contract may be accrued even though the services are rendered in fiscal years subsequent to the fiscal year in which the expenditure is accrued.

The anticipated cost of equipment is expensed in the fiscal year in which it is budgeted.

Goods ordered, but not received as of the end of the fiscal year may be accrued if the purchase order was issued in the fiscal year in which the anticipated expenditure is to be accrued.

Obligations for employees' vested leave and sick leave are recorded as expenditures when paid.

Financial Schedule Presentation

The financial schedules were prepared from Statewide Accounting Budgeting and Human Resource System (SABHRS) without adjustments. Accounts are organized on the basis of funds according to State law. The following fund types are used by the Consumer Counsel:

Special Revenue Fund - accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Legislative appropriation is required to spend from this fund.

Vacation and Sick Leave

Employees are paid for 100 percent of unused vacation and 25 percent of unused sick leave credits upon termination. Accumulated unpaid liabilities for vacation and sick leave are not reflected in the financial schedules of the Consumer Counsel. Expenditures for termination pay are currently absorbed in the annual operational costs of the Counsel. At June 30, 2006 and 2007, the Counsel had liabilities for compensated absences of \$90,213 and \$79,062.

2. PENSION PLAN

Employees are covered by the Montana Public Employees' Retirement System (PERS). The Consumer Counsel's contribution to the plan for fiscal years 2006 and 2007 was \$17,903 and \$17,356 respectively.

OFFICE OF THE CONSUMER COUNSEL
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2006 and 2007

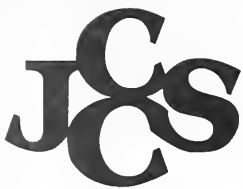
3. OPERATING LEASE

The Consumer Counsel entered into a lease agreement for office space on December 1, 1997 and terminating on November 30, 2001. This lease was renewed every two years. The current lease agreement began on May 1, 2006 and terminates on April 30, 2008. Rent is currently \$1,725 per month and rent is increased annually on the anniversary date of the lease. The Office of the Consumer Counsel paid rent of \$16,146 and \$20,359 for fiscal year ended June 30, 2006 and 2007 respectively.

Future minimum lease payments for fiscal years subsequent to June 30, 2007 are: 2008, \$17,253.

4. BUDGET

The budget for each year included a contingency appropriation of \$250,000 for unanticipated cases.



Junkermier • Clark
Campanella • Stevens • P.C.

Montana Club Building
P.O. Box 1164
Helena, Montana 59624
ph. (406) 442-6901
fx. (406) 442-9690
www.jccscca.com

Certified Public Accountants and Business Advisors

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the financial schedules of the Office of the Consumer Counsel for the fiscal years ended June 30, 2006 and 2007, and have issued our report thereon dated October 23, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Office of the Consumer Counsel's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial schedules, but not for the purpose of expressing an opinion on the effectiveness of the Office of the Consumer Counsel's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Office of the Consumer Counsel's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Office of the Consumer Counsel's ability to initiate, authorize, record, process, or report financial data reliably in accordance with state accounting policy such that there is more than a remote likelihood that a misstatement of the Office of the Consumer Counsel's financial schedules that is more than inconsequential will not be prevented or detected by the Office of the Consumer Counsel's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial schedules will not be prevented or detected by the Office of the Consumer Counsel's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether the Office of the Consumer Counsel's financial schedules are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Office of the Consumer Counsel in a separate letter dated October 23, 2007.

This report is intended for the information of management and the Legislature and is not intended to be and should not be used by anyone other than these specified parties.

Junkermier, Clark, Campanella, Stevens, P.C.

Helena, Montana
October 23, 2007

Montana Consumer Counsel



Robert A. Nelson

Consumer Counsel

Frank E. Buckley, *Rate Analyst*

Lawrence P. Nordell, *Economist*

Mary Wright, *Attorney*

Mandi Shulund, *Secretary*

Telephone: (+06) 444-2771

Fax No: (+06) 444-2760

616 Helena Avenue

Suite 300

PO Box 201703

Helena, Montana 59620-1703

October 26, 2007

Mr. Brian Wickens

Junkermier, Clark, Campanella, Stevens, P.C.

Certified Public Accountants

P.O. Box 1164

Helena, MT 59624

Dear Mr. Wickens,

We have reviewed your draft Financial Compliance Audit for the two fiscal years ended June 30, 2007, and have no comments or exceptions to your report.

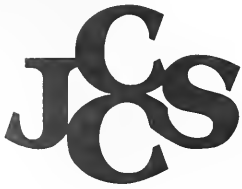
I would like to take this opportunity to thank you for the efficient organization in conducting the audit; your advance instructions were very helpful and it was a pleasure working with you.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert A. Nelson".

Robert A. Nelson

Montana Consumer Counsel



Junkermier • Clark
Campanella • Stevens • P.C.

Montana Club Building
P.O. Box 1164
Helena, Montana 59624
ph. (406) 442-6901
fx. (406) 442-9690
www.jcescpa.com

Certified Public Accountants and Business Advisors

October 23, 2007

To the Legislative Audit Committee
of the Montana State Legislature:

We have audited the financial schedules of the Consumer Counsel for the years ended June 30, 2007, and 2006, and have issued our report thereon dated October 23, 2007. Professional standards require that we provide you with the following information related to our audits.

Our Responsibility under Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audits to obtain reasonable, but not absolute, assurance that the financial schedules are free of material misstatement and are fairly presented in accordance with the basis of funds according to State law. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audits, we considered the internal control of the Consumer Counsel. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Consumer Counsel's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Consumer Counsel are described in Note 1 to the financial schedules. No new accounting policies were adopted and the application of existing policies was not changed during the years ended June 30, 2007, and 2006. We noted no transactions entered into by Consumer Counsel during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial schedules prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial schedules and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimates affecting the financial schedules.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial schedules that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Consumer Counsel's financial reporting process (that is, cause future financial statements to be materially misstated.) In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Consumer Counsel, either individually or in the aggregate, indicate matters that could have a significant effect on the Consumer Counsel's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial schedules or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audits.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial schedules or a determination of the type of auditor's opinion that may be expressed on those schedules, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Consumer Counsel's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Legislature and management of the Consumer Counsel, and is not intended to be and should not be used by anyone other than these specified parties.

Junkermier, Clark, Campanella, Stevens, P.C.

Helena, Montana

